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C O N F I D E N T I A L SECTION 01 OF 02 DJIBOUTI 000958

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SUBJECT: DJIBOUTI AND COMESA

Classified By: AMBASSADOR MARGUERITA D. RAGSDALE.
REASONS 1.4 (B) AND (D).

1. (C) In separate meetings with Saleban Omar Oudine, Minister of Commerce and Industry, and Ismail Hussein Tani, President Guelleh's Cabinet Director, Ambassador discussed the Common Market of Eastern and Southern Africa (COMESA) and Djibouti's expectations as new vice-chair of the organization and as host of the 2005 COMESA conference (at which time Djibouti becomes chair). Both officials had accompanied President Guelleh to the May 31-June 8 COMESA conference in Kampala.

2. (C) For Oudine, the year 2005 and Djibouti's forthcoming chairmanship is important because they open new economic opportunities for Djibouti. The year 2005 coincides with the launch and inauguration of the country's new port at Doraleh, currently under construction. Djibouti would use the annual conference, he said, as a platform from which to present the port to all COMESA participant countries and to encourage its use by land-locked countries such as Uganda, Malawi and Rwanda. Uganda, for example, might profit from Djibouti's services, since 20 percent of its imports and exports are currently stolen annually at the port facility it uses in Kenya. Flights could shuttle cargo directly between Djibouti and Kampala, the Minister added. Rwanda might also benefit economically, Oudine said. He noted that while Rwanda had been deeply interested in the presidency of COMESA for 2005, Djibouti had done some backroom politicking to persuade Rwanda to look instead toward 2006 as the year to seek the presidency. Djibouti needed the year 2005 to boost its economic hopes for Doraleh, the Minister said.

3. (C) Oudine and Tani told Ambassador that unlike most COMESA countries, Djibouti has no resources to sell and can only look toward services as the best source for income generation. Besides encouraging transshipment of goods, it could take advantage of COMESA by encouraging the establishment of small industries that would operate with raw materials from COMESA countries. According to Tani, the Government of Djibouti intends to promote its liberal economic regime, and the port of Doraleh, to convince COMESA countries that Djibouti is a natural and logical gateway to their markets. They will be advised that purchasing goods through Djibouti rather than through Dubai will save both time and money.

4. (C) Oudine remarked that at the last COMESA conference, customs uniformity was a key issue. He said Djibouti sees advantages in uniformity and it and other members hope uniformity can be reached by December 2004. However, most countries opted for a delay because studies on the impact of this new system were not yet complete. It was believed that customs uniformity would be advantageous for a country like Kenya but would be very difficult to implement in countries such as Somalia and Sudan. If uniformity, Oudine said, disadvantages a country in terms of revenue generated, perhaps the U.S. Agency for International Development might make funds available to compensate those countries for revenues lost. Besides economic integration, Tani remarked to Ambassador that Djibouti and other COMESA members are determined to have COMESA play an important role in other areas such as conflict resolution and political stability, for the long-term benefit of member states.

5. (C) Oudine and Tani admitted that hosting the COMESA conference's eighteen member states in 2005 will be a huge logistical challenge for Djibouti. A special committee is being created now to handle preparations for next year's conference. The Government of Djibouti is exploring ideas for housing guests, especially heads of state. It hopes that some of the villas included in the new Haramous housing development project, led by the Saudi investment company Maya Trading, will be ready by then. (Note: Embassy understands from Maya Trading that houses envisioned for the Haramous project are intended to be sold to private individual investors. End note) Also, some of the local hotels, Tani said, are expected to dedicate rooms for COMESA to use in order to boost hotel capacity. Dubai Ports International is also planning to build a hotel by reclaiming the sea near the Palais du Peuple opposite the port. Yet Tani does not expect

the hotel to be completed by 2005. Finding a conference room that is large enough should not be a problem, Oudine said, but other costs in producing such a conference will be involved so the Government of Djibouti will officially request assistance from the U.S. and international organizations in the lead-up to the conference. Ambassador responded that such requests would need to be clearly outlined and made with sufficient lead time.

16. (C) Tani broached the idea that Djibouti may, repeat may, press to postpone the COMESA conference until November, 2005 instead of June, 2005, but not for logistical reasons. Djibouti's presidential elections scheduled for 2005, the hot summer period from June through September, and Ramadan's occurrence in October may mandate a later time frame. He emphasized that no formal request for change of timing had yet been put forward.

17. (C) Comment: Upon his return from the Kampala summit, President Guelleh stated publicly that the choice of Djibouti as vice-chair and host for the 2005 COMESA summit is an "international affirmation of Djibouti, which does not cease to play a more and more supreme role in international affairs." That said, it is clear that Djibouti also sees its newly-claimed affirmation as a tremendous economic opportunity, of which it hastens to take advantage. If 2005 is to be Djibouti's "economic year," COMESA is as good a platform as any for this ambitious and optimistic country to push the envelope just a bit more. End comment.
RAGSDALE